



State of Washington
Department of Revenue

Excise Tax Advisory

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SALES TAX COMPUTED ON A CONTRACT PRICE INCLUDING SALES TAX PAID BY CONTRACTOR

Issued September 30, 1966

Where Sales Tax is computed on a contract price which includes Sales Tax paid by the contractor, is there a duplication of Sales Tax allowing the contractor's customer a deduction from the measure of the Sales Tax for the Sales Tax paid by the contractor?

The taxpayer received from a contractor a billing on a time and materials basis which included Sales Tax on the full contract price. The contractor also Included as a part of the contract price the amount of Sales Tax paid by the contractor on rentals of equipment. The taxpayer claimed that the Sales Tax was duplicated in that he paid Sales Tax twice on the same item.

Rule 170 requires prime contractors to collect from consumers the Sales Tax measured by the full contract price. RCW 82.04.050 includes within the definition of "retail sale" the renting or leasing of tangible personal property to consumers. The contractor was a consumer with respect to the equipment leased by him and was, therefore, liable for Sales Tax on the amount of the rentals paid. Thus the Sales Tax paid by the contractor was an expense which he recovered in his billing. The taxpayer, the contractor's customer, was required to pay Sales Tax on the gross contract price, irrespective of how the price was computed. The ultimate burden of the Sales Tax paid by the contractor was passed on to the taxpayer, but this normally happens in excise taxation and is not a grounds for relief from Sales Tax. (Letter.)

ETBS have been made Excise Tax Advisories, and have retained their old number. Advisories with a 2 (plus three digits) are new advisories, ETBs that have been revised and readopted after review under the Department's regulatory improvement program, or advisories that have been revised and/or readopted.

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